

Message Text

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PAGE 01 BUCAR 05212 141652Z

53

ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

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FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC PRIORITY 5037

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E.O. 11652: N/A

TAGS: EFIN, EEWT, RO

SUBJ: EXIM FINANCING FOR SPECIAL BEARING PLANT

1. REPRESENTATIVES OF ROLLWAY BEARING CO. RECENTLY VISITED EMBASSY, WHICH HAS SUPPORTED THE FIRM'S BID TO GAIN MAJOR CONTRACT FOR ROMANIAN SPECIAL BEARING PLANTXFROM OUTSET, AND INFORMED US THAT PROBLEM HAS ARISEN CONCERNINGHAS IMPORT EFFECTS OF THEIR PROJECT AS PRESENTED IN THEIR APPLICATION FOR EXIMBANK LOAN. THEY GAVE US REVISED DATA SHOWING QUANTITIES OF BEARINGS FIRM WOULD PROPOSE TO IMPORT FROM NEW PROJECT AND FROM EXISTING ROMANIAN BEARING FACILITY. ALTHOUGH WE ARE NOT REALLYMTN POSITION TO ASSESS VALIDITY OF REVISED DATA, ON SURFACE IT APPEARS TO SATISFY UNDERSTANDABLE CONCERN ABOUT IMPLICATIONS OF LOAN FOR U.S. EMPLOYMAXT.

2. ROLLWAY'S APPLICATION RAISES AN ISSUE WHICH EXTENDS TO WHOLE REALM OF US EXPORTS OF CAPITAL/GOODS TO ROMANIA. BUYBACK IS ESTABLISHED FACT OF COMMERCIAL LIFE IN ROMANIA--AND INDEED IN OTHER EE COUNTRIES. HOWEVER MUCH OUR EUROPEAN AND (ESPECIA SY)

JAPANESE COMPETITORS MAY

RAIL AGAINST IT, THEY HAVE ADAPTED THEMSELVES TO BUYBACK PROVISION IN CONTRACTS. TO OUR KNOWLEDGE THEIR EXPORT CREDIT

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PAGE 02 BUCAR 05212 141652Z

AGENCIES ALSO TOLERATE BUYGOBACK AS REQUIREMENT FOR DOING

GUSINESS. IF WE CANNOT MEET OUR COMPETITION, WE MAY DENY OURSELVES THIS POTENTIALLY ATTRACTIVE MARKET.

3. WE URGE THAT CONSIDERATION OF ROLLWAY APPLICATION TAKE ACCOUNT OF CURRENT BILATERAL TRADE PROFILE. DATA FOR FIRST SEVEN MONTHS SHOW TRADE RUNNING 3-TO-1 IN OUR FAVOR, CONTINUING HIGHLY SKEWED PATTERN OF RECENT YEARS. ROMANIANS REPEATEDLY MAKE POINT TO US THAT THEY DESIROUS OF INCREASING ROMANIAN IMPORTS OF US PRODUCTS BUT THAT OVIS REQUIRES GROWTH IN THEIR EXPORTS. DENIAL OF APPLICATION SURELY WILL RAISE ROMANIAN QUESTIONS ABOUT PREPAREDNESS OF EXIM TO FINANCE U.S.-ROMANIAN TRADE AND SERIOUSNESS OF OUR BILATERAL PLEDGE TO EXPAND COMMERCIAL RELATIONS.

4. WE AIJPRSTAND EXIM MAY ACT ON ROLLWAY APPLICATION THIS WEEK AND STRONGLY RECOMMEND APPROVAL. IF ACTION IS NOT TAKEN, BOTH AMBASSADOR AND E/C COUMELOR WILL BE IN WASHINGTON PRIOR TO JOINT US-ROMANIAN COMMISSION MEETING NOV 3 AND WILL BE AVAILABLE FOR FURTHER DISCUSSION ON THIS QUESTION.

5. IF NOT APPROVED, WE FEEL CERTAIN QUESTION ROLLWAY APPLICATION WILL ARISE DURING DEPY PM PATAN'S VIST, PERHAPS DURING COMMISSION MEETING. OUR CONTACTS

IN MFT HAVE HINTED IN THEIR CUSTOMARY ELLIPTICAL FASHION THAT PATAN EXPECTS SIGN SOME SORT OF AGREEMENT WITH ROLLWAY WHILE HE WAS IN NY OR WASHINGTON. VIETS

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